

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2011-318-C

IN RE:

Application of Applewood
Communications Corporation for a
Certificate of Public Convenience and
Necessity to Operate as a Reseller of
Interexchange Telecommunications
Services Within the State of South
Carolina

**DIRECT TESTIMONY OF
COURTLANDT G. MILLER**

Q. Will you please state your name and business address.

A. My name is Courtlandt G. Miller. My business address 1057 Bill Tuck Highway, Suite
224, South Boston, VA 24592

Q. By whom are you employed and in what capacity?

A. I am the President of Applewood Communications Corporation (“Applewood”).

Q. Please describe your duties for the company.

A. I am in charge of coordinating all technical, administrative and financial issues relating to
new and/or existing services of Applewood.

Q. Please give a brief description of your background and experience.

1 A. I am the Chairman and Chief Executive Officer of Applewood. I founded Applewood in
2 2007 to create a virtual network telephony operator providing a complete suite of
3 telephone services on a private label basis to marketing partners and their members.
4 While I did not have any prior telco experience prior to 2007, I now have four years of
5 telco experience, during which Applewood has not had any material issues in any of the
6 47 states where we operate. I am a seasoned senior executive, having been involved in all
7 of the disciplines required to run a company. Specifically, I practiced corporate and
8 securities law in New York City between 1980 and 1988, advising my clients on a wide
9 range of issues including capital formation, mergers and acquisitions, labor law and anti-
10 trust. Between 1988 and 1995, I was a Senior Vice President and a Director of
11 Diagnostek, Inc a New York Stock Exchange listed health care company. As one of the
12 three senior officers, I helped grow the company from \$5 million in sales to over \$850
13 million in seven years. Upon its sale in 1995, Diagnostek had operations in over 35
14 states, had over 3,500 employees and had raised over \$250 million in capital. The
15 company provided both mail order and retail pharmacy services for major corporations
16 including Ford, Chrysler, Goodyear and Eaton Corporation. In addition, the company
17 provided pharmacy services to over 150 hospitals and state mental health institutions.
18 Similar to the telecommunications industry, the practice of pharmacy is highly regulated
19 by each state and the Federal government. Among my many duties, I had ultimate
20 responsibility for compliance with all pharmacy rules and regulations. In this regard, the
21 company's record was exemplary. Diagnostek was sold in 1995, and I and the other
22 senior officers left the business.

1 **Q. What is the purpose of your testimony?**

2 A. The purpose of my testimony is to present evidence describing the technical, managerial
3 and financial fitness of Applewood to provide resold interexchange telecommunications
4 services in South Carolina. This testimony will also describe Applewood's services and
5 its tariff structure. Finally, the purpose of my testimony is to show that the public interest
6 will be served by approval of the application of Applewood for a certificate of public
7 convenience and necessity.

8
9 **Q. Would you like to incorporate by reference any documents into your testimony?**

10 A. Yes. I would like to incorporate by reference the Company's application and exhibits
11 previously filed with this Commission.

12
13 **Q. Has Applewood registered to do business in South Carolina?**

14 A. Yes. Applewood received foreign corporation authority on March 21, 2007. A copy of
15 Applewood's Certificate of Good Standing was attached to the Application as **Exhibit 2**.

16
17 **Q. Please explain the Company's corporate and ownership structure.**

18 A. Applewood is a corporation organized and existing under the laws of the State of
19 Delaware, organized on September 8, 2006 under the name Ezel Holdings, Inc. The
20 Amended and Restated Certificate of Incorporation was filed on November 5, 2006,
21 changing the name of the corporation to Applewood Communications Corporation. This
22 document was attached to the Application as **Exhibit 1**.

23 **Q. Has Applewood provided any services in South Carolina to date?**

1 A. Yes. Applewood mistakenly presumed that it possessed authority from this Commission.
2 Consistent with its presumption, Applewood has operated for all practical purposes as if
3 it were certified, by filing various reports required by this Commission, and by making
4 regulatory assessment payments also as required by the Commission. Applewood takes
5 full responsibility for its mistake, and will ensure that it operates in conformance with all
6 applicable South Carolina authority.

7
8 **Q. Please describe the services offered by Applewood.**

9 A. Applicant is a reseller of long-distance telephone services offered by facilities-based inter-
10 exchange carriers. Applicant neither owns, leases, nor operates any switching, transmission,
11 or other physical facilities in the State of South Carolina, and no such facilities are used by
12 Applicant in providing long-distance service in the State of South Carolina. Applicant
13 provides telecommunications services, including outbound 1+ dialing, inbound 800/888 toll-
14 free and postpaid cards, throughout the State of South Carolina. Applicant provides high
15 quality services, with an industry standard blocking rate less than P.01. Its services are
16 available on a full-time basis, twenty-four hours a day, seven days a week, to customers
17 within the geographic boundaries of the State of South Carolina. All services provided
18 meet the service standards of the Commission. Applewood does not intend to own its own
19 lines or switches but rather will use the existing infrastructure of large well capitalized global
20 telecommunications companies.

21
22 **Q. Is Applewood aware of the Commission's requirement that it file a \$5,000 bond or**

1 **certificate of deposit in connection with the offer or sale of prepaid debit card services?**

2 A. Yes. Applewood does not intend to offer prepaid debit card services, but will comply with
3 this requirement in the event it does.
4

5 **Q. Which carrier or carriers serve as your underlying carrier?**

6 A. Applewood's primary providers are Telrite Corporation and Level3. In this way,
7 Applewood does not incur substantial capital expenditures building a network.
8

9 **Q. Do any other carriers provide Applewood with service?**

10 A. Not at this time. Applewood employs the services of only those carriers properly
11 certified or authorized by this Commission.
12

13 **Q. How will Applewood bill for its services?**

14 A. Applewood bills its customers directly.
15

16 **Q. How are trouble reports, billing errors and complaints handled?**

17 A. Applewood utilizes nationwide toll-free numbers of (877) 823-1223 and (888) 350-2153
18 for customer service. Customers may call that number Monday through Friday, 9 am to 6
19 pm and Saturday from 10 am – 4 pm, Eastern Standard Time.
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21 **Q. Are you familiar with the tariff submitted as Exhibit 5 to the Application?**

22 A. Yes.

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Q. Was the tariff prepared under your supervision?

A. Yes. It was prepared under my supervision.

Q. Describe the Applewood South Carolina tariff.

A. Applewood has included an interexchange tariff which contains the rules, regulations and rates for Applewood's interexchange services. I believe Applewood's tariff comports with all Orders, Rules and Regulations of the Commission, and Applewood will make all changes suggested by the ORS necessary to comply with all such applicable authority.

Q. What regulatory treatment is Applewood seeking in this application?

A. Applewood requests that all of its business service offerings be regulated pursuant to the procedures described and set out in Commission Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C, as modified by Commission Order No. 2001-997 in Docket No. 2000-407-C. It is Applicant's intent by this request to have its business services regulated in the same manner as this Commission has permitted for AT&T Communications of the Southern States, Inc. ("AT&T"). Specifically, Applicant requests that the Commission: (a) remove the maximum rate tariff requirements for its business services, consumer card, operator service,¹ private line, and customer network-type offerings; b) presume that the tariff filings for these uncapped services be valid upon filing. However, if the Commission institutes an investigation of a particular filing

¹ Excepting those operator-assisted calls where a consumer uses a local exchange carrier's calling card to complete calls from locations which have not selected the local exchange carrier as their toll provider. Operator surcharges and per-minute rates for this type of call were capped by Commission Order No. 2001-997, dated November 8, 2001.

1 within seven (7) days, the tariff filing would be suspended until further order of the
2 Commission; and c) grant Applicant the same treatment as AT&T in connection with any
3 future relaxation of the Commission's reporting requirements.
4

5 **Q. Is Applewood currently certified to provide intrastate resale services of the type**
6 **described herein in any other states?**

7 A. Applewood has received authority to provide resold interexchange service in all states, with
8 the exception of Alaska and Hawaii, and the District of Columbia. Applewood has not been
9 denied certification in any state.
10

11 **Q. Describe Applewood's financial ability to operate as a telecommunications reseller.**

12 A. Applewood has submitted its current balance sheet and statement of profit and loss to
13 show it has the financial resources to operate successfully as a telecommunications
14 reseller to consumers in South Carolina as **Exhibit 4** to its Application. These
15 documents were filed under seal with the Commission. As set forth therein, Applewood
16 has cash resources to support its operations.
17

18 **Q. Do you believe Applewood is capable of delivering its proposed services in South**
19 **Carolina?**

20 A. Yes, in addition to having sufficient financial resources, Applewood has a team of
21 competent and experienced personnel. Through its close relationships to its underlying
22 carriers, Applewood also has access to the technical personnel necessary to provide
23 successful and continuous telecommunications services in South Carolina.

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Q. Does the Company have offices in South Carolina?

A. No. The Company does not intend to have offices in South Carolina. Accordingly, Applewood requests, pursuant to Commission Rule 103-610, that the Commission authorize the Company to keep its books and records at its offices in Virginia. Applewood will have a registered agent in South Carolina and will bear any costs associated with inspection of its books and records by the Commission or the South Carolina Office of Regulatory Staff (“ORS”).

Q. Does the Company use the Uniform System of Accounts (“USOA”) to maintain its financial books and records?

A. No. Accordingly, the Company requests a waiver of Commission Rule 103-611 to the extent that rule requires the use of the USOA, and requests permission to use Generally Accepted Accounting Principles (“GAAP”).

Q. Will the Company comply with all applicable statutory and regulatory requirements of the State of South Carolina and this Commission?

A. Yes.

Q. Will the Company file all applicable reports as required by the Commission?

A. Yes. The Company is aware of the Commission’s requirements that all telecommunications carriers file a report on South Carolina operations, a gross receipts report, and a universal service contribution report on an annual basis. The Company has

1 filed these reports historically, and will continue to do so.

2
3 **Q. How will South Carolina consumers benefit from Applewood's services?**

4 A. Applewood's services provide alternative services of the highest quality, provide
5 increased consumer choice in billing options, and offer increased diversification and
6 increased reliability of communications services. Our service offerings enhance
7 competition for telecommunications services in the state because the addition of another
8 supplier of telephone service increases competition in terms of price and quality of
9 service for the business of telephone service consumers.

10
11 **Q. Does this conclude your testimony?**

12 A. Yes it does.

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Interexchange Telecommunications)
Services Throughout the State of South)
Carolina and for Alternative Regulation)

CERTIFICATE OF SERVICE

This is to certify that I have caused to be served this day, one (1) copy of the **Direct Testimony of Courtlandt G. Miller** as specified below:

VIA ELECTRONIC MAIL SERVICE

C. Lessie Hammonds, Esquire
Office of Regulatory Staff
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s/ Carol Roof
Carol Roof
Paralegal

October 17, 2011
Columbia, South Carolina